



Gender earnings

The principle of equal pay for work of equal value is well established in Australia. Nevertheless, the earnings of men and women differ for many reasons. Data from the fourth wave (2010) of the Australia at Work Study¹ are used to examine some of reasons for gender differences in earnings.²

In keeping with numerous studies of the determinants of wages we employed a standard wage equation using the log of hourly earnings as a dependent variable.³ The set of independent variables comprises controls for age, qualifications and other demographic characteristics such as sex, the presence of children and household characteristics. The model also controlled for a range of firm related variables such as workplace size, method of pay setting and industry. Regional variations in capacity to pay were captured via a regional dummy variable and a control for usual State of residence.

When the 2010 sample is restricted to employee observations with full information on variables in the models for estimation, the sample size is $n=4,277$ employees. Unweighted data are used, where just under half (49.2 per cent or $n=2,103$) of the sample were females and around one-in-three employees (28.9 per cent or $n=1,234$) were employed on a part-time basis.

What did we find?

After controlling for a broad set of economic and non-economic variables, we found a **gender wage gap of 8.2 per cent**. This means that, all things being equal (especially age and education level) women are paid 8.2 percent less than men when doing similar work. These findings are consistent with other studies.

Less than a third of the gender wage gap is explained by differences in characteristics such as qualifications, experience, geographical location, industry

¹ The *Australia at Work* study is being conducted by the Workplace Research Centre at the University of Sydney. The project is funded by the Australian Research Council's Linkage Grant scheme and the industry partner is Unions NSW. Further financial support is provided by CFMEU Energy & Mining Division, CFMEU ACT Branch, NSW Nurses' Association, the Police Federation of Australia, the SDA, the CEPU, the QLD Nurses Federation and the Nurses Federation (Victorian Branch). *The study* is a five-year longitudinal telephone survey of people who were aged 16 to 58 years and in the Australian labour force in March 2006 (i.e. prior to the implementation of the *Work Choices* legislation on 27 March 2006). New entrants and re-entrants to the labour force after March 2006 were not 'in-scope' for the study.

² Information in this fact sheet is an extract from a research paper by Preston, Yu & Wright (forthcoming). The full paper is available from the authors upon request.

³ The standard Blinder (1973) and Oaxaca (1973) decomposition approach was employed to understand the key contributors to the gender wage gap.

and household structure. Of these factors, **industry of employment** and **demographics** (including language spoken at home, household structure, and presence of dependent children) are the **most significant factors** in explaining the gender wage gap.

In summary:

- **Industry of employment remains a significant determinant of earnings.** The highest paying industry sector is Mining followed by the Financial and Insurance Services industry. Relative to those in Retail the wage premium is equal to 46 and 37.6 per cent, respectively.
- **Firm size is very important** with employees in large workplaces earning 13.3 per cent more than those in small workplaces.
- **Relative to those in permanent employment, casuals earn a wage premium of 4.4 per cent.**
- Those who report they are **employed on a collective agreement** have no significant earnings advantage over those on awards⁴, whilst those who report being on an **individual agreement** earn 17.4 per cent more. More than half of those on individual contracts were in professional or managerial positions.
- **An earnings penalty of 6.8 per cent** was observed for those from a **culturally or linguistically diverse background.**
- Wages also vary significantly with **qualifications.** A person with a post-graduate qualification (e.g. a Master of Business Administration) earned 52.5 per cent more than their counterparts without post-compulsory schooling qualifications.
- **State of residence** also plays a role and with the exception of Western Australia those residing in all other states receive significantly lower pay than their New South Wales counterparts.
- Employees working in **regional areas** are at an earnings disadvantage, earning 8.7 per cent less than those who reside in a capital city.

What do our findings suggest?

Put simply, if less than a third of the gender wage gap is 'explained' by differences in the individual and firm-related characteristics of women and men, this means that the large 'unexplained' gap is due to gender in and of itself.

The persistence of the gender pay gap continues to be largely related to work being undervalued in female-dominated industries of employment. Given that many female workers - particularly those who are low paid - rely on awards for their pay-setting arrangements, this highlights the important role for tribunals such as Fair Work Australia and the Minimum Wage Panel in delivering wage adjustments in those occupations and industries that are dominated by females.

It also highlights the importance of undertaking gender pay gap analysis for different age, occupational and wage cohorts.

⁴ It is important here to note that individual self-reporting of agreement type has been found to vary considerably from employer reports, with individuals in the *Australia at Work* study appear to over-report award reliance at the apparent expense of collective agreement cover (see van Wanrooy, et al, 2009:65). Moreover, a significant proportion (5.4%) of respondents answered 'Don't know' to the question of wage agreement type, and ultimately have been excluded from these results.